

## Message Text

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PAGE 01 ISLAMA 02019 070951Z

16

ACTION AGR-08

INFO OCT-01 EA-06 NEA-09 ISO-00 CIAE-00 COME-00 EB-07

INR-07 LAB-04 NSAE-00 SP-02 STR-01 TRSE-00 CIEP-01

FRB-03 OMB-01 SS-15 NSC-05 L-02 H-01 EUR-12 /085 W

----- 064896

R 070725Z MAR 75

FM AMEMBASSY ISLAMABAD

TO SECSTATE WASHDC 9089

INFO AMEMBASSY HONG KONG

AMEMBASSY KARACHI

AMEMBASSY SEOUL

AMEMBASSY TAIPEI

AMEMBASSY TOKYO

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E.O. 11652: N/A

TAGS: EAGR, ETRD, PK

SUBJECT: DUMPING OF RAW COTTON AND COTTON YARN

REFERENCES: (A) STATE 32744

(B) ISLAMABAD 1439 (NOTAL)

(C) KARACHI 331 (NOTAL)

SUMMARY. EMBASSY RAISED QUESTION OF PAK COTTON YARN  
DUMPING IN EUROPE WITH GOP COMMERCE MINISTRY. IN  
RETURN EMBOFFS WERE QUESTIONED ABOUT POSSIBLE DUMPING  
OF US COTTON IN SOUTH KOREA AND TAIWAN AND POSSIBLE  
KOREAN AND TAIWANESE YARN DUMPING IN JAPAN AND HONG KONG.  
END SUMMARY.

1. PER INSTRUCTIONS REFTEL A, ECON COUNSELOR AND AGATT  
CALLED ON COMMERCE MINISTRY SECRETARY EJAZ NAIK ON  
MARCH 6. EMBOFFS SHARED CONTENTS OF REFTEL A WHICH  
INCLUDED REPORT OF ALLEGED DUMPING OF PAK YARN IN EUROPE.  
NAIK VIGOROUSLY DENIED THAT PAKISTAN WAS ENGAGED IN ANY  
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PAGE 02 ISLAMA 02019 070951Z

YARN DUMPING. HE SAID THAT PAKISTAN IN ANY CASE EXPORTED

VERY LITTLE YARN TO EUROPE AND SAID HE HAD BEEN COMPLETELY UNAWARE OF ANY CRITICISM OF PAKISTANI YARN EXPORT PRACTICES. (HE THEN REPEATED HIS DEEP CONCERN OVER THE DEPRESSED STATE OF THE WORLD YARN MARKET AND FEARED THAT PAKISTAN WOULD HAVE DIFFICULTY EVEN MEETING ITS NEWLY REVISED LOWER YARN EXPORT TARGET OF 150 MILLION POUNDS THIS FISCAL YEAR. THE TARGET ORIGINALLY HAD BEEN 300 MILLION POUNDS.)

2. UNDER QUESTIONING, NAIK ADMITTED THAT THE GOP WAS ENGAGED IN SOME UNUSUAL EXPORT TAX ADJUSTMENTS TO PROMOTE RAW COTTON EXPORTS. WHEN ASKED WHETHER PAKISTAN'S COTTON EXPORT PRICE WAS NOT NOW LOWER THAN THE PAK DOMESTIC RAW COTTON SALES PRICE PLUS THE ADDED INCREMENT OF A 35 PERCENT DUTY, NAIK EXPLAINED THAT THE 35 PERCENT DUTY WAS NOW IN FACT VARIABLE. HE SAID THAT PAKISTAN VARIED THE DUTY UP AND DOWN DEPENDING ON FLUCTUATIONS OF WORLD RAW COTTON PRICES, WITH THE DUTY NOW RANGING BETWEEN 25-30 PERCENT. HE DISCLAIMED THIS WAS DUMPING. (COMMENT. WE SUSPECT THAT IN FACT THE STATUTORY 35 PERCENT DUTY IS UNCHANGED AND THAT THE MONOPOLY STATE COTTON EXPORT CORPORATION MERELY ABSORBS THE LOSS AND IS REIMBURSED BY SUBSIDIES.)

3. NAIK THEN EXPRESSED HIS DEEP CONCERN OVER SOUTH KOREAN AND TAIWAN COTTON YARN EXPORT PRACTICES. HE SAID THAT THOSE COUNTRIES WERE NOW SELLING YARN TO JAPAN AND HONG KONG (PAKISTAN'S PRINCIPAL YARN MARKETS) AT PRICES BELOW THOSE PAKISTAN COULD OFFER. THIS, HE OPINED, COULD NOT BE DONE WITHOUT DUMPING AND HE DISCOUNTED THE FACTORS OF FREIGHT AND PROCESSING EFFICIENCY DIFFERENCES. HE SPECULATED THAT EITHER THE US WAS SELLING RAW COTTON TO SOUTH KOREA AND TAIWAN AT LOWER THAN MARKET PRICES THUS ENABLING SOUTH KOREAN AND TAIWAN YARN MANUFACTURES AND EXPORTERS TO LOWER THEIR PRICES, OR ELSE SOUTH KOREAN AND TAIWAN WERE EXCLUSIVELY RESPONSIBLE FOR THE COTTON YARN DUMPING. NAIK SAID HE WOULD BE VERY GRATEFUL IF THE US COULD THROW ANY LIGHT ON THIS WORRISOME SITUATION.

4. AGATT RESPONDED THAT HE WAS CERTAIN THAT THE US WAS NOT ENGAGING IN ANY RAW COTTON DUMPING IN SOUTH KOREA, TAIWAN OR ELSEWHERE. HE ADDED THAT US EXPORTERS HAD LIMITED OFFICIAL USE

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PAGE 03 ISLAMA 02019 070951Z

EXPERIENCED DIFFICULTIES IN GETTING FAR EAST BUYERS TO HONOR CONTRACTS NEGOTIATED EARLIER AT HIGHER PRICES. EMBOFFS PROMISED, HOWEVER, TO BRING NAIK'S CONCERN TO ATTENTION OF WASHINGTON AUTHORITIES.

5. REQUEST. WOULD APPRECIATE ANY WASHINGTON COMMENT ON THE ALLEGED US RAW COTTON, SOUTH KOREAN OR TAIWAN YARN DUMPING WHICH WE COULD SHARE WITH THE GOP COMMERCE MINISTRY.

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** COTTON, DUMPING (TRADE)  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 07 MAR 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** RowellE0  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
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**Document Unique ID:** 00  
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**Film Number:** D750080-0312  
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**Original Handling Restrictions:** n/a  
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**Previous Classification:** LIMITED OFFICIAL USE  
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**Review Transfer Date:**  
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**Status:** NATIVE  
**Subject:** DUMPING OF RAW COTTON AND COTTON YARN  
**TAGS:** EAGR, ETRD, PK, XG  
**To:** STATE  
**Type:** TE  
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